

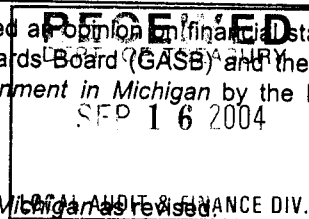
BALTIMORE TOWNSHIP
FINANCIAL STATEMENTS
For the year ended March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BALTIMORE TOWNSHIP	County BARRY
Audit Date MARCH 31, 2004	Opinion Date JULY 21, 2004	Date Accountant Report Submitted to State: SEPTEMBER 15, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) WALKER FLUKE & SHELTON P.C.			
Street Address 525 W Apple St	City HASTINGS	State MI	ZIP 49058
Accountant Signature Kathleen K Sheldon, CPA Walker, Fluke & Sheldon, P.C.			

TABLE OF CONTENTS

Independent Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds	4
Combined Statement of Revenues, Expenses and Changes in Fund Balance - Trust Funds	5
Notes to Financial Statements	6 - 14
Supplemental Data:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	15 - 19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	20 - 21
Statement of Changes in Assets and Liabilities - All Trust and Agency Funds	22



WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Baltimore Township
Barry County, Michigan

We have audited the accompanying general purpose financial statements of Baltimore Township, Barry County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Baltimore Township, Barry County, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Baltimore Township, Barry County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements and schedules listed in the table of contents as supplemental data are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Baltimore Township, Barry County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Hastings, Michigan
July 21, 2004

Walker, Fluke & Sheldon, PLC

BALTIMORE TOWNSHIP
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	General	Special Revenue	Pension Trust	Trust and Agency	General	Fixed Assets	
ASSETS							
Cash and Cash Equivalents	\$ 261,507	\$ 29,604	\$ -	\$ 353	\$ -	\$ -	Primary Government \$ 291,464
Investments	35,606	-	23,961	-	-	-	59,567
Receivables							
Taxes							
Due From State	4,365	1,083	-	-	-	-	5,448
Due From Other Funds	17,090	-	-	-	-	-	17,090
Fixed Assets	-	1,126	-	-	-	-	1,126
	-	-	-	-	-	359,914	359,914
Total Assets	\$ 318,568	\$ 31,813	\$ 23,961	\$ 353	\$ 359,914	\$ 359,914	\$ 734,609
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 9,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,707
Accrued Liabilities	1,102	499	-	-	-	-	1,601
Due to Other Funds	3,466	-	-	(2,340)	-	-	1,126
Due to Local Units of Government	-	-	-	2,693	-	-	2,693
Deferred Revenue	4,365	1,083	-	-	-	-	5,448
	-	-	-	-	-	-	-
Total Liabilities	18,640	1,582	-	353	-	-	20,575
Fund Equity							
Investment in General Fixed Assets	-	-	-	-	359,914	-	359,914
Fund Balances							
Unreserved - Undesignated	254,322	30,231	23,961	-	-	-	308,514
Designated	45,606	-	-	-	-	-	45,606
Total Fund Equity	299,928	30,231	23,961	-	359,914	-	714,034
Total Liabilities and Fund Equity	\$ 318,568	\$ 31,813	\$ 23,961	\$ 353	\$ 359,914	\$ 359,914	\$ 734,609

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
For the Year Ended March 31, 2004

	GOVERNMENTAL FUND TYPES		TOTAL (MEMORANDUM ONLY)
	General	Special Revenue	Primary Government
Revenues			
Taxes and Penalties	\$ 45,665	\$ 10,834	\$ 56,499
State Grants	131,193	1,531	132,724
Contributions From Local Units	-	4,000	4,000
Charges for Services	9,839	-	9,839
Interest and Rents	3,563	148	3,711
Other Revenue	3	10,604	10,607
Total Revenues	<u>190,263</u>	<u>27,117</u>	<u>217,380</u>
Expenditures			
Current			
Legislative	7,524	-	7,524
General Government	60,199	-	60,199
Public Safety	48,528	-	48,528
Public Works	43,011	-	43,011
Recreational and Cultural	-	24,449	24,449
Health and Welfare	2,000	-	2,000
Other	10,673	-	10,673
Capital Outlay	-	996	996
Total Expenditures	<u>171,935</u>	<u>25,445</u>	<u>197,380</u>
Excess of Revenues Over (Under) Expenditures	<u>18,328</u>	<u>1,672</u>	<u>20,000</u>
Fund Balance - April 1, 2003	<u>281,600</u>	<u>28,559</u>	<u>310,159</u>
Fund Balance - March 31, 2004	<u>\$ 299,928</u>	<u>\$ 30,231</u>	<u>\$ 330,159</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2004

	GENERAL FUND			SPECIAL REVENUE FUND			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes and Penalties	\$ 39,900	\$ 45,665	\$ 5,765	\$ 8,700	\$ 10,834	\$ 2,134	\$ 48,600	\$ 56,499	\$ 7,899
State Grants	130,000	131,193	1,193	1,700	1,531	(169)	131,700	132,724	1,024
Contributions From Local Units	-	-	-	4,000	4,000	-	4,000	4,000	-
Charges for Services	7,500	9,839	2,339	-	-	-	7,500	9,839	2,339
Interest and Rents	4,000	3,563	(437)	400	148	(252)	4,400	3,711	(689)
Other Revenue	300	3	(297)	10,200	10,604	404	10,500	10,607	107
Total Revenues	181,700	190,263	8,563	25,000	27,117	2,117	206,700	217,380	10,680
Expenditures									
Current									
Legislative									
General Government	13,000	7,524	5,476	-	-	-	13,000	7,524	5,476
Public Safety	70,900	60,199	10,701	-	-	-	70,900	60,199	10,701
Public Works	38,821	48,528	(9,707)	-	-	-	38,821	48,528	(9,707)
Recreational and Cultural	44,179	43,011	1,168	-	-	-	44,179	43,011	1,168
Health and Welfare	-	-	-	24,310	24,449	(139)	24,310	24,449	(139)
Other	-	2,000	(2,000)	-	-	-	-	2,000	(2,000)
Capital Outlay	12,000	10,673	1,327	-	-	-	12,000	10,673	1,327
	2,000	-	2,000	690	996	(306)	2,690	996	1,694
Total Expenditures	180,900	171,935	8,965	25,000	25,445	(445)	205,900	197,380	8,520
Excess of Revenues Over (Under) Expenditures	800	18,328	17,528	-	1,672	1,672	800	20,000	19,200
Fund Balance - April 1, 2003	281,600	281,600	-	28,559	28,559	-	310,159	310,159	-
Fund Balance - March 31, 2004	\$ 282,400	\$ 299,928	\$ 17,528	\$ 28,559	\$ 30,231	\$ 1,672	\$ 310,959	\$ 330,159	\$ 19,200

BALTIMORE TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE - TRUST FUNDS
For the Year Ended March 31, 2004

	<u>Pension Trust</u>
Operating Revenues	
Contributions to Pension Plan	\$ 2,534
Investment Income	<u>896</u>
Total Operating Revenues	<u>3,430</u>
Operating Expenses	
Distributions to Participants	<u>-</u>
Total Operating Expenses	<u>-</u>
Net Income	3,430
Fund Balance - April 1, 2003	<u>20,531</u>
Fund Balance - March 31, 2004	<u>\$ 23,961</u>

The Notes to Financial Statements are an integral part of this statement.

BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF TOWNSHIP OPERATIONS

Baltimore Township is situated in the central portion of Barry County. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present Baltimore Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

JOINT VENTURES

Fire Department

The Township, together with the Townships of Irving, Rutland, Carlton and Hastings have established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the BIRCH FIRE DEPARTMENT. The organizational agreement provides that financing of the Department's activities will be as follows:

"Each Township shall pay an amount of money equal to an agreed millage rate which shall be the same for all Townships, determined as if said millage rate was spread upon the tax roll in each Township or area of each Township served by the department. The amount of the millage shall be determined annually by the Board of Directors of BIRCH and shall be approved by each Township Board as part of the budget of BIRCH each year.

Once the millage has been determined and approved as provided above, the amount of money representing the millage in each Township can be raised by any means available to each Township and does not have to be spread upon the tax roll as a 'special assessment'."

The Township Board of each member Township appoints one elected official to the BIRCH Board of Directors. The BIRCH Board of Directors appoints one member at large from each member Township. The member at large must be a resident and property owner in the district served.

The equity ownership of each Township which is a part of BIRCH in each major piece of fire apparatus or equipment or any personal property having a value of more than \$1,000 is determined using the percentage contribution of each Township as compared with the total contribution of all Townships during the year in which said asset was purchased. Equipment, apparatus and personal property, which is owned by BIRCH but was bought for a sum less than \$1,000 shall give each Township an equity interest in said property equal to the then current percentage of contribution of each Township as compared with the total contributions of each Township for the current year.

Baltimore Township's share of the cost of fire protection for the year ended March 31, 2004 was \$48,528.

BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Department (Continued)

The following information summarizes the activity of the joint venture through June 30, 2003, the most recent audited financial statements available.

Total Assets	\$ 366,797	Total Revenues	\$ 234,350
Total Liabilities	\$ 192,064	Total Expenditures	\$ 203,968
Total Equity	\$ 174,733	Increase (Decrease) in Fund Balance	\$ 30,382
Total General Fixed Assets	\$ 645,756	Baltimore Township's Share of Assets	\$ 104,530
Total Joint Venture Outstanding Debt	\$ -		

Complete financial statements for BIRCH Fire Department can be obtained from:

Shirley Drake, Treasurer
9938 Bedford Road
Banfield, MI

Baltimore Township's total equity share in BIRCH Rural Fire Department is \$139,477 of which \$104,530 represents their equity interest in the fixed assets and is reported in the general fixed assets account group.

BASIS OF PRESENTATION

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Baltimore Township are recorded in separate funds and account groups, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of the general Baltimore Township governmental departments, boards and commissions. The fund includes the general operating expenditures of the local unit.

Special Revenue Funds

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Trust and Agency

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include: (a) Expendable Trust Funds; (b) Nonexpendable Trust Funds; (c) Pension Trust Funds; and (d) Agency Funds.

ACCOUNT GROUPS

General Fixed Assets

This Account Group presents the fixed assets of the local unit utilized in its general operations (non-proprietary fixed assets).

Fixed assets used in the general operation of Baltimore Township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Baltimore Township conform to generally accepted accounting principles as applicable to governmental units.

Governmental Funds

The Governmental Fund Types (General and Special Revenue) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Fiduciary Funds

The Fiduciary Funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Other Financing Sources (Uses)

The transfers of cash between the various Township funds are budgeted but reported separately from revenue and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIXED ASSETS

Fixed assets used in governmental fund type operations is accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at its estimated fair market value on the date donated.

BUDGETS, BUDGETARY ACCOUNTING AND BUDGET BASIS OF ACCOUNTING

Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the activity level. Budgets for the special revenue fund are adopted at the line item level. The combined statement of revenues, expenditures, and changes in fund balance - all governmental funds present comparisons at the functional level. The Township uses the same basis of accounting for budgeting purposes as for financial statement presentation. The budget figures used for the general and special revenue funds are not the original amounts adopted at the beginning of the year. The budget has been amended by the Township Board at regularly scheduled meetings in accordance with the requirements of P.A. 621 of 1978.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Baltimore Township.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECEIVABLES - TAXES

The Township's property taxes are levied and become a lien on each December 1 based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28. After that date, they are added to the county delinquent tax rolls.

The 2003 State taxable valuation of the Township totaled \$37,316,924, on which ad valorem taxes levied consisted of .9466 mills for the Township operating purposes and .2889 for the Townships library, raising \$35,319 for operating purposes and \$10,776 for library operations. The amounts recognized in the financial statements as current property tax revenue represent 2003 taxes collected through March 31, 2004.

The delinquent real property taxes of the Township are purchased by Barry County. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes. These taxes have been recorded as deferred revenue for the current year since they are not available to fund expenditures of the current period.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW

The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because inter-fund eliminations have not been made in the aggregation of this data.

COMBINING FINANCIAL STATEMENTS

Combining financial statements are not presented for the general fund or special revenue fund because they are the only funds of their type.

FUND BALANCE DESIGNATION

In the general fund, parts of the fund balance have been designated for contingency, cemetery and dust control. By designating a portion of fund balance for a specific purpose, the Township Board has established a policy that the amounts designated be used for a specific purpose. The Township Board can change the amounts so designated if they desire.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level for the general fund and the line item level for the special revenue fund. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004**

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (Continued)

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>TOTAL APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General:			
General Government:			
Treasurer	\$ 12,400	\$ 12,907	\$ 507
Public Safety:			
Fire Protection	\$ 38,821	\$ 48,528	\$ 9,707
Public Works:			
Dust Control	\$ 6,500	\$ 8,335	\$ 1,835
Health and Welfare			
Social Services	\$ -	\$ 2,000	\$ 2,000
Special Revenue:			
Library:			
Wages and Fringes	\$ 10,750	\$ 11,021	\$ 271
Publications	\$ 3,000	\$ 3,954	\$ 954
Supplies	\$ 1,500	\$ 1,820	\$ 320
Repairs and Maintenance	\$ -	\$ 362	\$ 362
Capital Outlay	\$ 690	\$ 996	\$ 306

BALANCE SHEET - CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated two banks for the deposit of Baltimore Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, Travelers Life and Annuity and Gleaners Life Insurance Society. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Township's deposits and investments are in accordance with statutory authority.

The Combined Balance Sheet caption cash and cash equivalents includes \$100 of petty cash.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004**

BALANCE SHEET - CASH AND INVESTMENTS (Continued)

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township cash deposits are as follows:

<u>DEPOSIT</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (FDIC)	\$ 130,364	\$ 131,088
Uninsured	<u>196,606</u>	<u>237,605</u>
Total Deposits	<u>\$ 326,970</u>	<u>\$ 368,693</u>
Cash and Cash Equivalents	\$ 291,364	\$ 333,087
Investments in Certificates of Deposit with a Maturity Greater Than Three Months	<u>35,606</u>	<u>35,606</u>
Total Deposits	<u>\$ 326,970</u>	<u>\$ 386,693</u>

Baltimore Township's investments are in accordance with statutory authority. The nature of the investments does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
<u>Pension Trust</u>		
Guaranteed Fixed Accounts	<u>\$ 23,961</u>	<u>\$ 23,961</u>

FIXED ASSETS

A summary of the changes in the general fixed asset group of accounts is as follows:

	<u>BALANCE 3/31/03</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ADJUSTMENTS</u>	<u>BALANCE 3/31/04</u>
Investment in Joint Venture	\$ 99,015	\$ 5,515	\$ -	\$ -	\$ 104,530
Land	22,017	-	-	-	22,017
Buildings	186,490	-	-	-	186,490
Building Improvements	16,430	-	-	-	16,430
Furniture and Fixtures	3,651	-	-	-	3,651
Equipment	<u>42,731</u>	<u>996</u>	<u>1,551</u>	<u>(15,380)</u>	<u>26,796</u>
Total	<u>\$ 370,334</u>	<u>\$ 6,511</u>	<u>\$ 1,551</u>	<u>\$ (15,380)</u>	<u>\$ 359,914</u>

The adjustments above reflect corrections made during the current year to adjust the carrying balances to the Township's actual physical asset listing.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004**

INTERFUND RECEIVABLES AND PAYABLES

The amounts of the inter-fund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
Library	\$ 1,126	General	\$ 3,466
		Trust and Agency	(2,340)
	<u>\$ 1,126</u>		<u>\$ 1,126</u>

EMPLOYEE'S RETIREMENT SYSTEM - DEFINED CONTRIBUTION PLAN

The Township contributes to a defined contribution pension plan for its employees. The participants' accounts are held by Travelers Life and Annuity and Gleaners Life Insurance Society in individual "guaranteed accounts".

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all employees who have satisfied the eligibility requirements except boards, commissions, part time and seasonal employees. In order to participate in the plan the participant must be at least eighteen years of age. Contributions by the Township vest immediately. The Township contributes 10% of each participant's compensation.

During the year, the Township's required and actual contributions amounted to \$2,534, which was 10.08% of its current-year covered payroll of \$25,143. The total fiscal year payroll was \$41,462.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Par Plan was established in April 1985, pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

**BALTIMORE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004**

RISK MANAGEMENT (Continued)

The Par Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At March 31, 2004, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Revenues</u>			
Taxes and Penalties:			
Current Property Taxes		\$ 31,771	
Delinquent Property Taxes		3,690	
Mobile Home Tax		302	
Collection Fees		<u>9,902</u>	
Total Taxes and Penalties	\$ 39,900	<u>45,665</u>	\$ 5,765
State Grants:			
State Revenue Sharing:			
Sales Tax		128,711	
Other		<u>2,482</u>	
Total State Grants	130,000	<u>131,193</u>	1,193
Charges for Services:			
Cemetery Lot Sales		2,225	
Dust Control		<u>7,614</u>	
Total Charges for Services	7,500	<u>9,839</u>	2,339
Interest and Rents:			
Interest		2,363	
Rents		<u>1,200</u>	
Total Interest	4,000	<u>3,563</u>	(437)
Other Revenue:			
Refunds		<u>3</u>	
Total Other Revenue	<u>300</u>	<u>3</u>	<u>(297)</u>
Total Revenues	<u>181,700</u>	<u>190,263</u>	<u>8,563</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2004

<u>Expenditures</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Legislative:			
Township Board:			
Per Diem and Fees		1,093	
Education		333	
Supplies		532	
Professional Services		2,383	
Printing & Publishing		685	
Memberships		1,389	
Miscellaneous		1,109	
Total Township Board:	13,000	7,524	5,476
Total Legislative	13,000	7,524	5,476
General Government:			
Supervisor:			
Salary		6,511	
Education		70	
Transportation		286	
Total Supervisor	8,000	6,867	1,133
Elections:			
Supplies		166	
Total Elections	1,000	166	834
Assessor:			
Salary		13,818	
Total Assessor	16,000	13,818	2,182
Attorney:			
Contractual Services		-	
Total Attorney	3,000	-	3,000

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2004

<u>Expenditures (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
General Government (Continued):			
Clerk:			
Salary		8,623	
Supplies		31	
Postage		81	
Transportation		42	
Postage		10	
Total Clerk	10,000	<u>8,787</u>	1,213
Board of Review:			
Wages		1,043	
Education		120	
Printing and Publishing		28	
Miscellaneous		111	
Total Board of Review	2,000	<u>1,302</u>	698
Treasurer:			
Salary		10,009	
Supplies		794	
Postage		1,874	
Transportation		220	
Memberships		10	
Total Treasurer	12,400	<u>12,907</u>	(507)
Township Hall:			
Contractual Services		165	
Supplies		558	
Telephone		583	
Utilities		920	
Gas		1,924	
Repairs and Maintenance		307	
Miscellaneous		21	
Total Township Hall	6,000	<u>4,478</u>	1,522

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2004

<u>Expenditures (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
General Government (Continued):			
Cemetery:			
Supplies		264	
Contractual Services		7,519	
Utilities		84	
Repairs and Maintenance		3,314	
Miscellaneous		693	
Total Cemetery	<u>12,500</u>	<u>11,874</u>	<u>626</u>
Total General Government	<u>70,900</u>	<u>60,199</u>	<u>10,701</u>
Public Safety:			
Fire Protection:			
Contractual Services	<u>38,821</u>	<u>48,528</u>	<u>(9,707)</u>
Total Public Safety	<u>38,821</u>	<u>48,528</u>	<u>(9,707)</u>
Public Works:			
Drains:			
Contractual Services		-	
Total Drains	<u>1,679</u>	<u>-</u>	<u>1,679</u>
Highways and Streets:			
Contractual Services		34,000	
Total Highways and Streets	<u>35,000</u>	<u>34,000</u>	<u>1,000</u>
Dust Control:			
Wages		364	
Postage		37	
Contractual Services		7,625	
Transportation		55	
Printing and Publishing		254	
Total Dust Control	<u>6,500</u>	<u>8,335</u>	<u>(1,835)</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2004

<u>Expenditures (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Public Works (Continued):			
Street Lighting:			
Utilities		676	
Total Street Lighting	1,000	676	324
Total Public Works	44,179	43,011	1,168
Health and Welfare:			
Social Services:			
Contractual Services		2,000	
Total Social Services	-	2,000	(2,000)
Total Health and Welfare	-	2,000	(2,000)
Other:			
Insurance		4,755	
Retirement		2,719	
Fringes		3,199	
Total Other	12,000	10,673	1,327
Capital Outlay	2,000	-	2,000
Total Expenditures	180,900	171,935	8,965
Excess of Revenues Over (Under) Expenditures	800	18,328	17,528
Fund Balance - April 1, 2003	281,600	281,600	-
Fund Balance - March 31, 2004	<u>\$ 282,400</u>	<u>\$ 299,928</u>	<u>\$ 17,528</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues			
Taxes:			
Current Property Taxes	\$ 8,700	\$ 9,694	\$ 994
Delinquent Property Taxes	-	1,140	1,140
Total Taxes	<u>8,700</u>	<u>10,834</u>	<u>2,134</u>
State Grants:			
State Aid	<u>1,700</u>	<u>1,531</u>	<u>(169)</u>
Total State Grants	<u>1,700</u>	<u>1,531</u>	<u>(169)</u>
Contributions From Local Units	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Interest	<u>400</u>	<u>148</u>	<u>(252)</u>
Other Revenue:			
Penal Fines	9,200	9,672	472
Donations	500	340	(160)
Fund-raiser	500	237	(263)
Miscellaneous	-	355	355
Total Other Revenue	<u>10,200</u>	<u>10,604</u>	<u>404</u>
Total Revenues	<u>25,000</u>	<u>27,117</u>	<u>2,117</u>
Expenditures			
Recreational and Cultural:			
Library:			
Wages and Fringes	10,750	11,021	(271)
Publications	3,000	3,954	(954)
Utilities	3,085	1,559	1,526
Insurance	1,800	1,682	118
Supplies	1,500	1,820	(320)
Woodland Co-op	2,736	2,688	48
Repairs and Maintenance	-	362	(362)
Operations	1,439	1,363	76
Capital Outlay	690	996	(306)
Total Library	<u>25,000</u>	<u>25,445</u>	<u>(445)</u>

BALTIMORE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended March 31, 2004

<u>Expenditures (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Total Recreational and Cultural	<u>25,000</u>	<u>25,445</u>	<u>(445)</u>
Excess of Revenues Over (Under) Expenditures	-	1,672	1,672
Fund Balance - April 1, 2003	<u>28,559</u>	<u>28,559</u>	<u>-</u>
Fund Balance - March 31, 2004	<u>\$ 28,559</u>	<u>\$ 30,231</u>	<u>\$ 1,672</u>

BALTIMORE TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL TRUST AND AGENCY FUNDS
For the Year Ended March 31, 2004

CURRENT TAX COLLECTION FUND	BALANCE 3/31/03	RECEIPTS	DISBURSEMENTS	BALANCE 3/31/04
Assets:				
Cash	\$ 390	\$ 839,010	\$ 839,047	\$ 353
Total Assets	<u>\$ 390</u>	<u>\$ 839,010</u>	<u>\$ 839,047</u>	<u>\$ 353</u>
Liabilities:				
Due to Other Funds	\$ 390	\$ 50,831	\$ 53,561	\$ (2,340)
Due to Other Units of Government:				
Barry County Treasurer	-	438,201	437,612	589
Barry Intermediate School District	-	66,450	66,311	139
Eaton Intermediate Schools	-	2,201	2,201	-
Delton Kellogg Schools	-	10,034	10,022	12
Hastings Area Schools	-	267,205	265,252	1,953
Maple Valley Schools	-	4,088	4,088	-
Total Liabilities	<u>\$ 390</u>	<u>\$ 839,010</u>	<u>\$ 839,047</u>	<u>\$ 353</u>



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July 21, 2004

To the Township Board
Baltimore Township
Barry County, Michigan

We have recently completed an examination of the financial statements of Baltimore Township, Barry County, Michigan for the year ended March 31, 2004. During the course of the audit, the following items came to our attention, which requires further comment.

Budgeting

P.A. 621 of 1978, Section 17, provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended December 31, 2004, the Township over expended in several areas. The Township currently monitors the general fund budget and makes amendments periodically.

It is our recommendation that expenditures be compared in relation to amounts appropriated on a monthly basis for the General and all Special Revenue Funds. If it is apparent that there will be a budget violation, the Township should amend the budget by indicating the dollar amounts and appropriations to be affected. Consideration should be taken at year-end for any known audit adjustments that may arise.

Interest Income Record Keeping

During the course of the audit, it was noted that interest income on certificates of deposit was not being recorded when earned.

According to generally accepted accounting principles, the general and special revenue funds of governmental units use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means, collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Since the interest earned on certificates is periodically credited to the account, the interest being credited meets the measurable and available test for revenue recognition and must be recorded by the Township.

It is our recommendation that the Township record interest income from certificates of deposit when it is credited to the account. The treasurer should request quarterly print outs for each certificate of deposit from the corresponding bank if statements are not already provided. The amount of interest credited to the account since the prior inquiry should be receipted and given to the clerk for posting in the general ledger. This documentation should be kept to support the entries and filed in an organized manner that is easily accessible. In addition, the clerk should reconcile the bank balance to the adjusted general ledger balance. Any discrepancies should be investigated and corrected in a timely manner.

Library W-3 Reconciliation Procedures

During the course of the audit, it was noted that the Library's W-3 and W-2's for 2003 did not reconcile to the four quarterly Form 941 forms filed with the Internal Revenue Service.

Each quarter, the Library should be reconciling the payroll records to the quarterly Form 941 Federal Tax Return. At year-end, the payroll records are used to prepare the employees W-2s and Form W-3 for the Social Security Administration. The completed W-3 should then be reconciled to the four quarterly Form 941s to verify accuracy.

It is our recommendation that the Township Library implement year-end balancing procedures to verify that all payroll tax returns filed are accurately filed. If the Township Library is unable to reconcile the returns, the Township Library should seek outside professional guidance.

Library Activity

During the course of the audit, a significant amount of time was spent balancing the general ledger activity for the Library. This additional work is outside the normal procedures required by an audit and is costly to the Township.

The Library records are maintained on a spreadsheet program, which is not a complete accounting software. This system does not produce a trial balance or complete general ledger, which are two key reports used to determine that all transactions for the year have been recorded and the records are balanced from one year to the next. This system also does not allow the average user to easily record receivables, payables or investments.

Although the Library records are maintained independently of the Township, they are an integral part of the Township and the Township has oversight responsibility. It is our recommendation that the Township request the Library use the Township software program or a comparable accounting program.

We would like to take this opportunity to thank the Baltimore Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Finkle & Shulden, P.C.